

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 396 – HB 634

April 8, 2016

SUMMARY OF ORIGINAL BILL: Redefines a “municipality” to mean an incorporated town or city having a population of at least 925, rather than 1,000, persons, for the purposes of intoxicating liquor law provisions. Deletes the provision declaring that sales of alcoholic beverages at retail shall be made only in municipalities in counties that permitted the manufacture, receipt, sale, storage, transportation, distribution, and possession of alcoholic beverages, or within civil districts of such counties, if such districts have a population of at least 30,000 and not have lying either wholly or partly within its boundaries a municipality. Authorizes the sale of alcoholic beverages at retail in unincorporated areas of such counties. Authorizes the county legislative body or the county beer board to limit the location of retail package stores and the number of licenses issued within the unincorporated areas of such counties.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$11,100/One-Time/ABC Fund
Exceeds \$31,500/Recurring/ABC Fund
Exceeds \$4,495,800/Recurring/General Fund

Increase Local Revenue – Exceeds \$1,575,400/Recurring/Permissive

SUMMARY OF AMENDMENT (015409): Deletes all language of the original bill. Authorizes Red’s Ale House in Cumberland County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$16,400/Recurring/General Fund

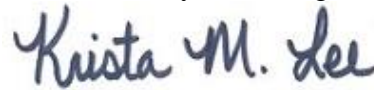
Increase Local Revenue – \$13,600/Recurring/Permissive

Assumptions for the bill as amended:

- This bill as amended only applies to Red's Ale House in the City of Crossville in Cumberland County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local annual privilege tax for premier type tourist resorts in Crossville is \$1,500. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Cumberland County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY16-17.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$115,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- The average taxable base is assumed for this establishment.
- The recurring increase in state revenue to the General Fund is estimated to be \$16,384 $[(\$115,000 \times 7.0\%) - (\$115,000 \times 7.0\% \times 3.617\%) + (\$115,000 \times 15.0\% \times 50.0\%)]$.
- The recurring increase in local revenue is estimated to be \$13,579 $[\$1,500 + (\$115,000 \times 2.75\%) + (\$115,000 \times 7.0\% \times 3.617\%) + (\$115,000 \times 15.0\% \times 50.0\%)]$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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